

MONETARY SUPERPOWER

*Why the U.S. Financial System
Continues to Dominate the World*

David Beckworth



MERCATUS CENTER

George Mason University



The end of King Dollar? The forces at play in de-dollarisation

By Naomi Ravnick and Libby George

May 25, 2023 4:19 AM CDT · Updated 10 months ago



US Dollar

China
sanctions
dollars

Beijing
greenback



Dollar Dominance Is Here to Stay for the Foreseeable Future—The Real Issue for the Global Economy Is How and Why

Steven B. Kamin
American Enterprise Institute
Mark Sobel
Official Monetary and Financial Institutions Forum

AEI Economics Working Paper 2024-02

January 2024

De-dollarization? Not so fast ☆

Felix Gerding,^a  , Jonathan S. Hartley,^b 

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<https://doi.org/10.1016/j.econlet.2024.111665> ↗

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Abstract

De-dollarization refers to the reduction of the reliance of foreign countries on the US dollar. This phenomenon generates concern about the U.S. dollar as a global currency. We construct new data on the currency denomination of central bank currency reserves, foreign exchange transaction volume, denomination of global debt securities, and the invoicing of trade. This paper presents empirical evidence suggesting that these concerns are misplaced, finding US dollar dominance remains unchanged up through late 2023, nearly two years after the 2022 Russian invasion of Ukraine and several years after the 2020 COVID-19 pandemic. Meanwhile euro and renminbi influence have since declined. These findings have implications for reserve currency resilience, U.S. dollar dominance, U.S. sanctions policy, international spillovers of U.S. monetary policy, and U.S.

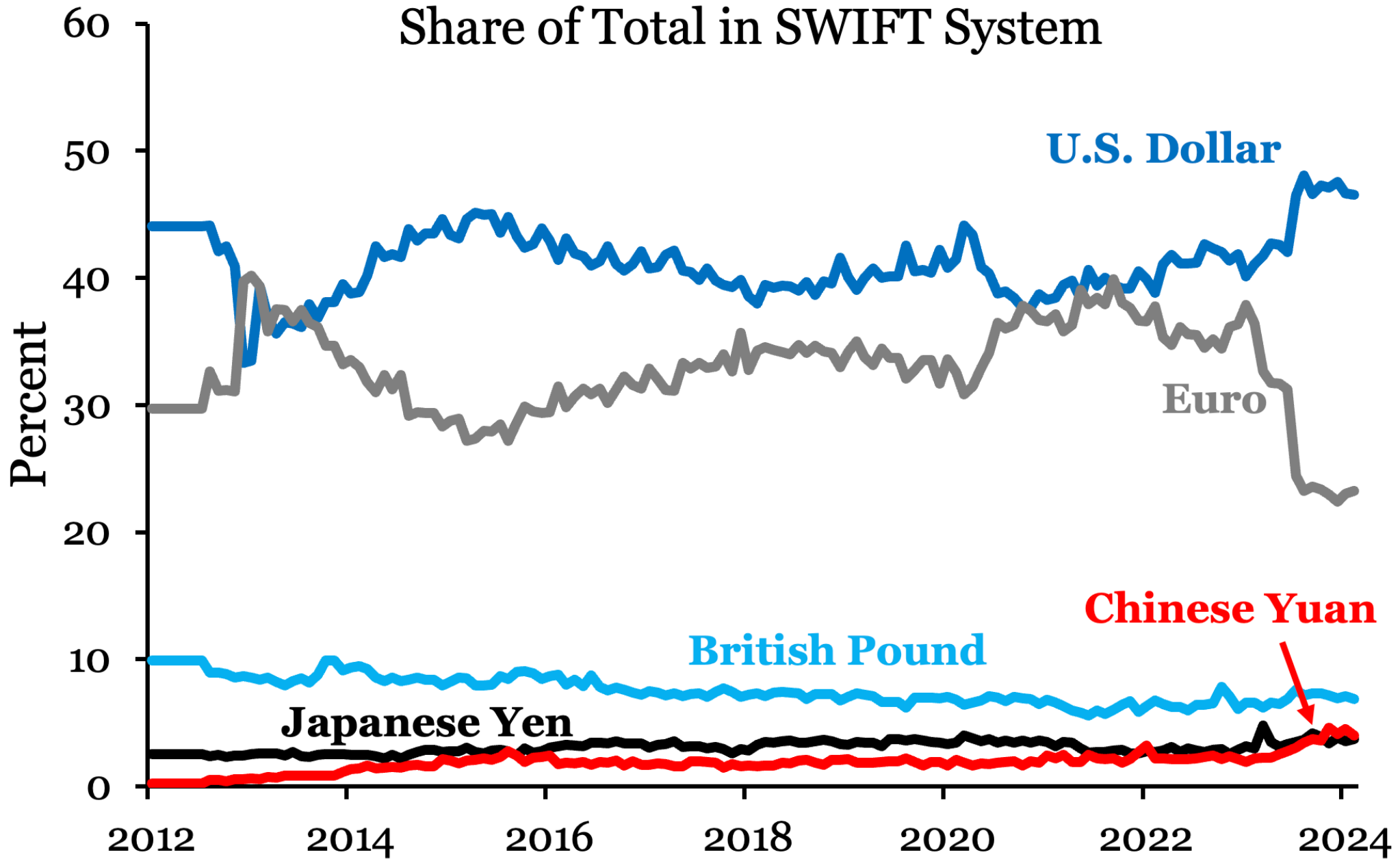
Dollar Dominance

- Central Bank Foreign Reserves
- Foreign Exchange Transactions
- Debt Securities
- Bank Loans
- Trade Invoicing
- Global Payments



Currency Used in Global Payments

Share of Total in SWIFT System

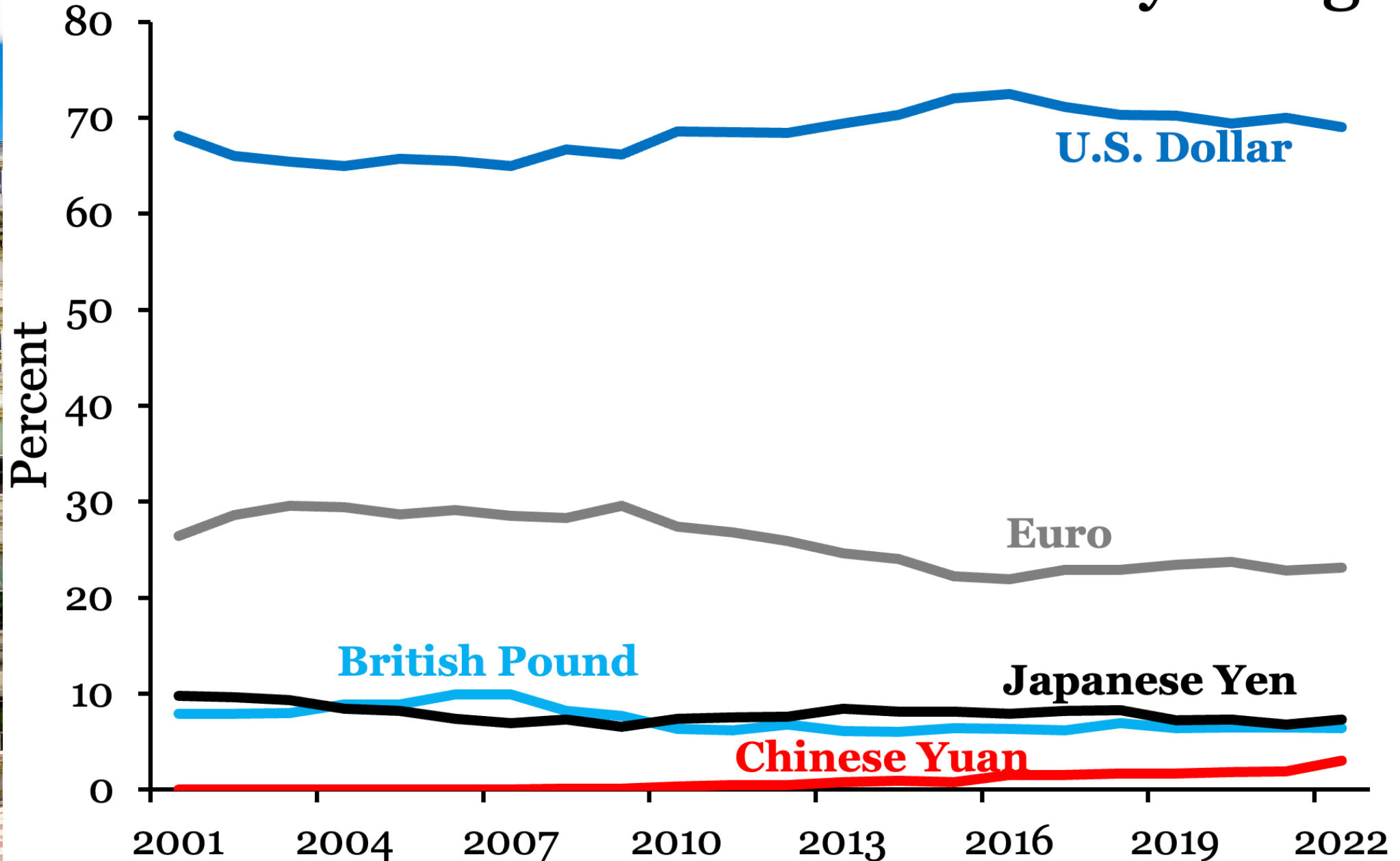


Dollar Dominance

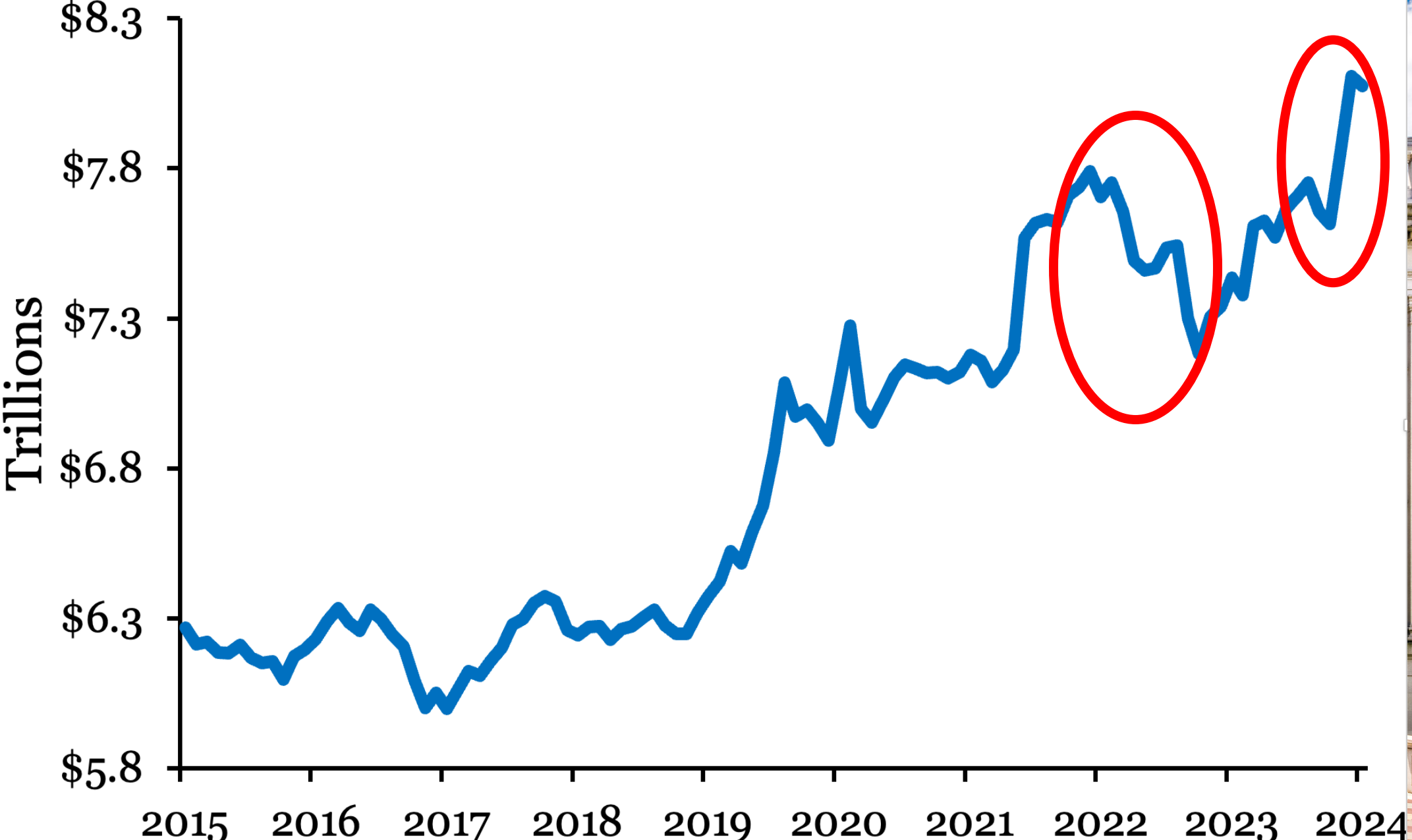
- Central Bank Foreign Reserves
- Foreign Exchange Transactions
- Debt Securities
- Bank Loans
- Trade Invoicing
- Global Payments



Index of International Currency Usage



Foreign Holders of U.S. Treasury Securities



Dollar Dominance

- Central Bank Foreign Reserves
- Foreign Exchange Transactions
- Trade Invoicing
- Global Payments
- Debt Securities
- Bank Loans

Despite that in 2023

- U.S. economy: \$27 trillion
- Global economy: \$105 trillion





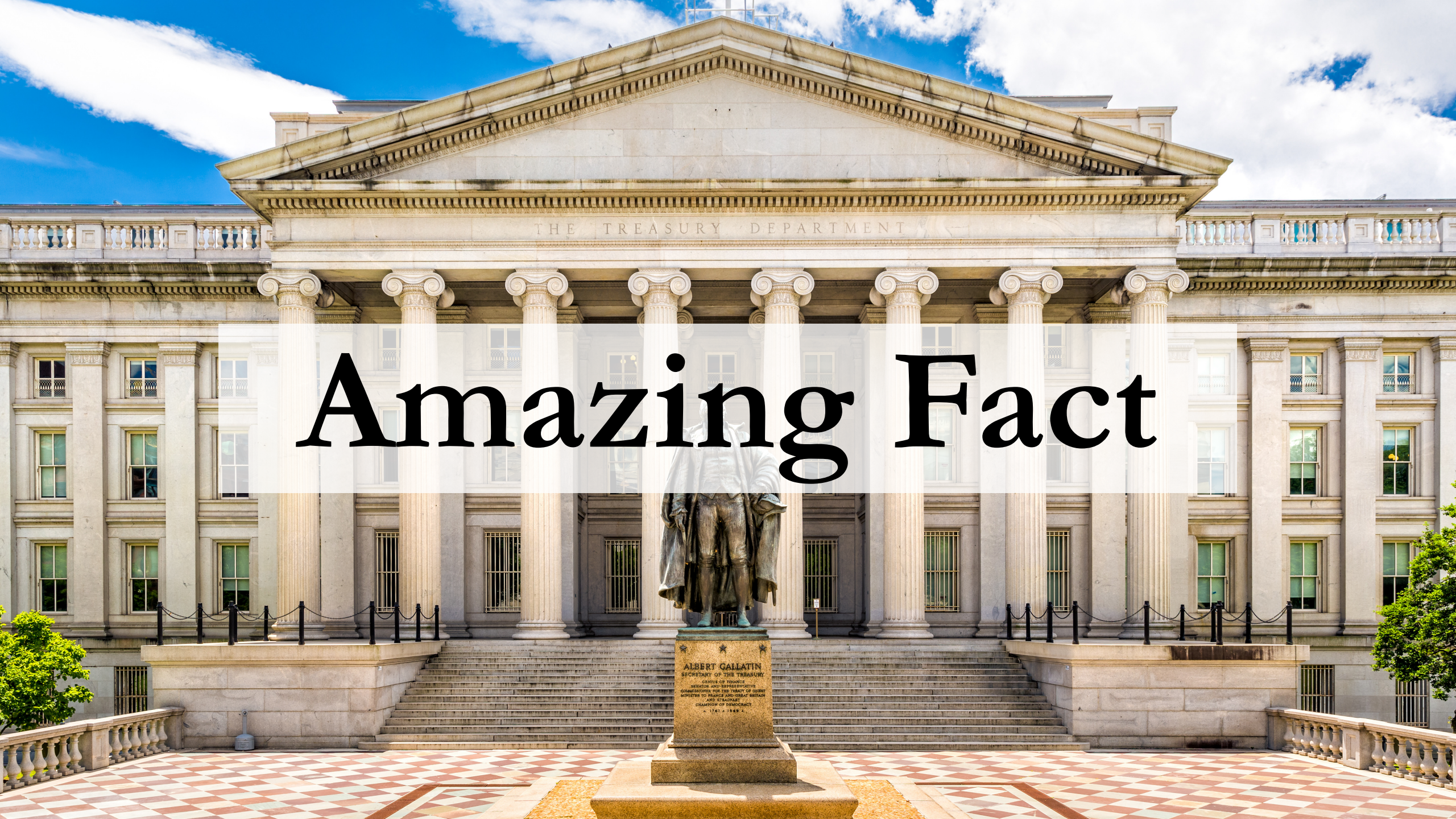
How to Explain this Outcome?

1. The How of U.S. Financial Dominance
2. The Why of U.S. Financial Dominance
3. The Threats to U.S. Financial Dominance



How to Explain this Outcome?

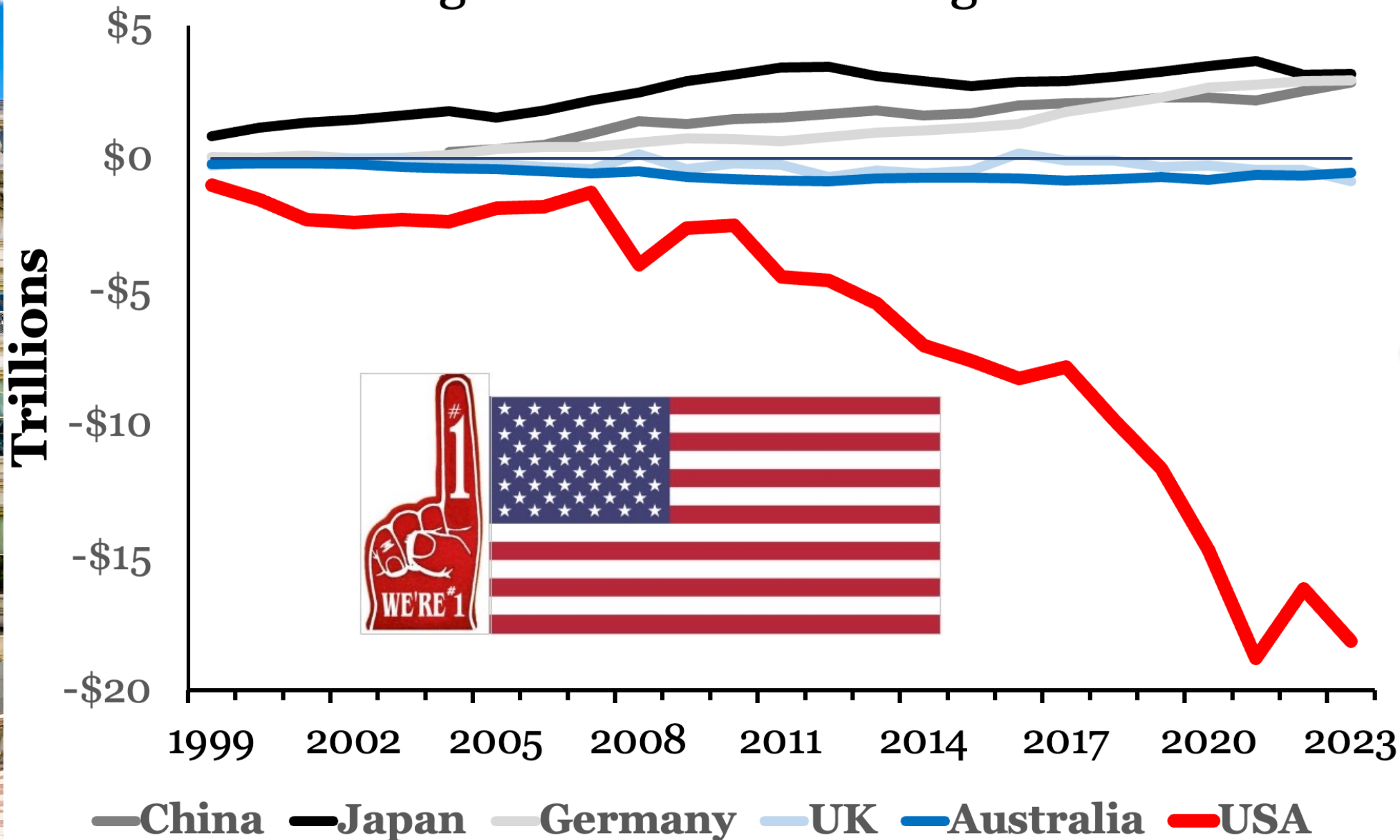
1. The How of U.S. Financial Dominance



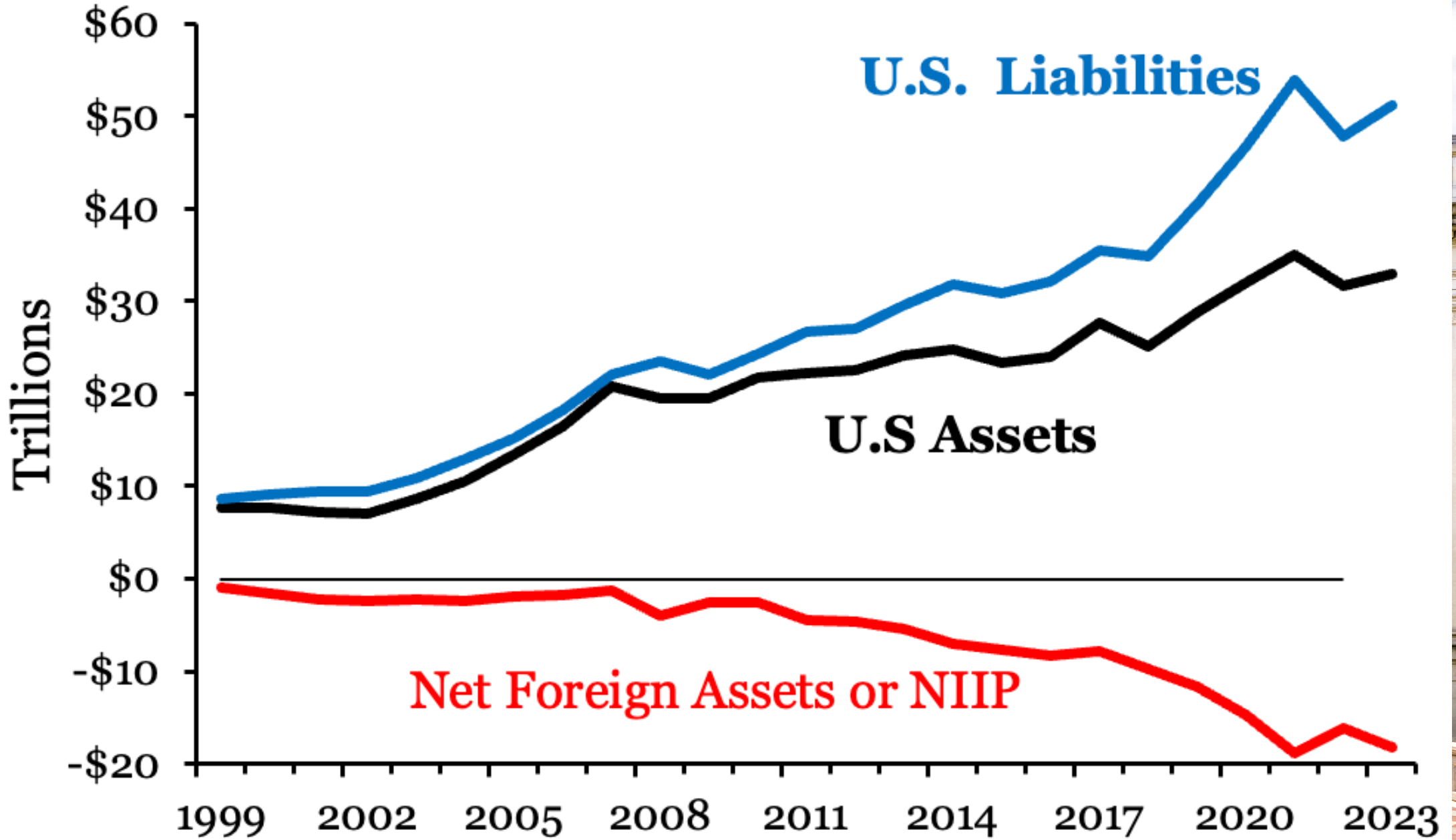
Amazing Fact

Net International Investment Position

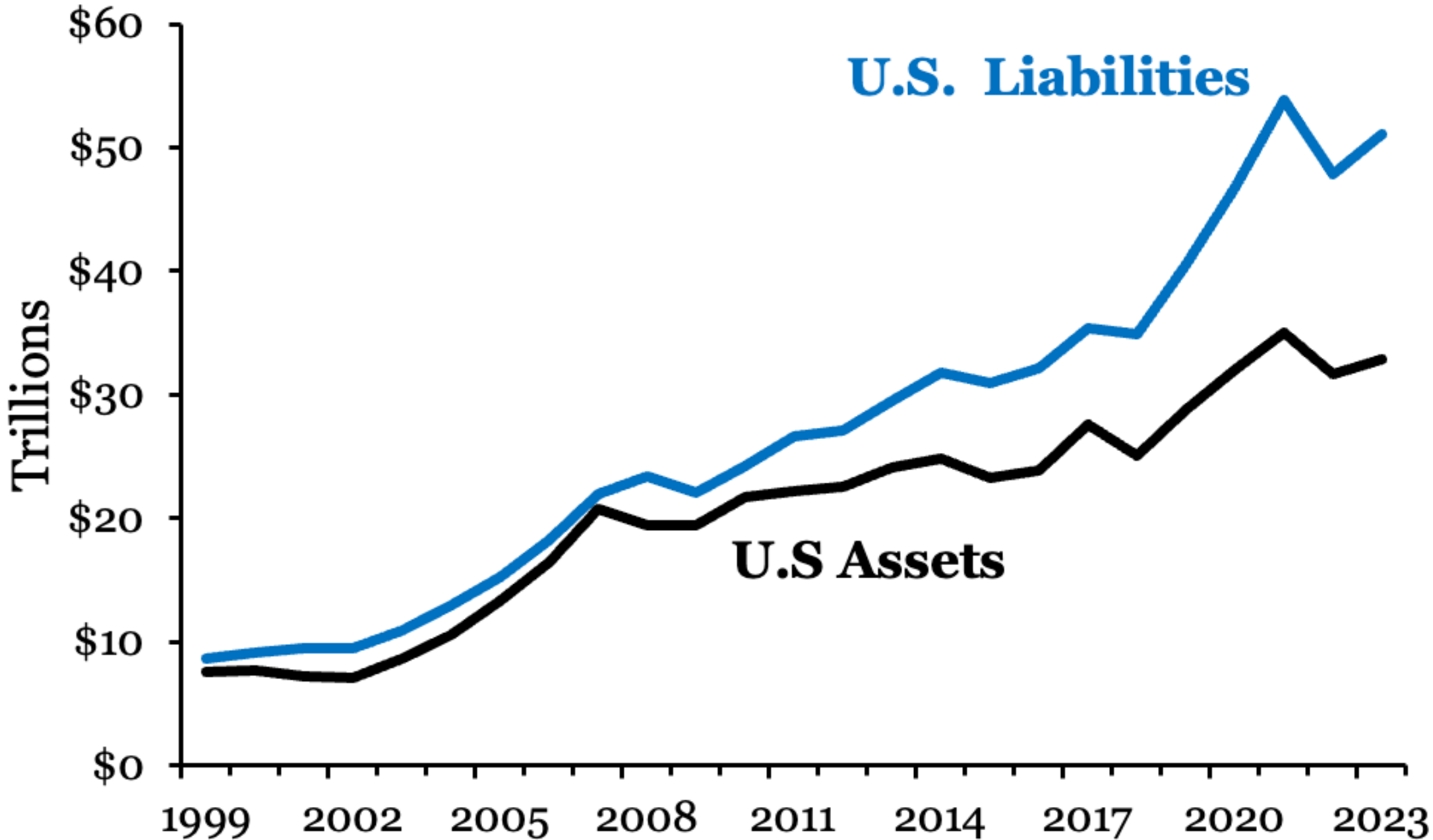
Foreign assets minus Foreign liabilities



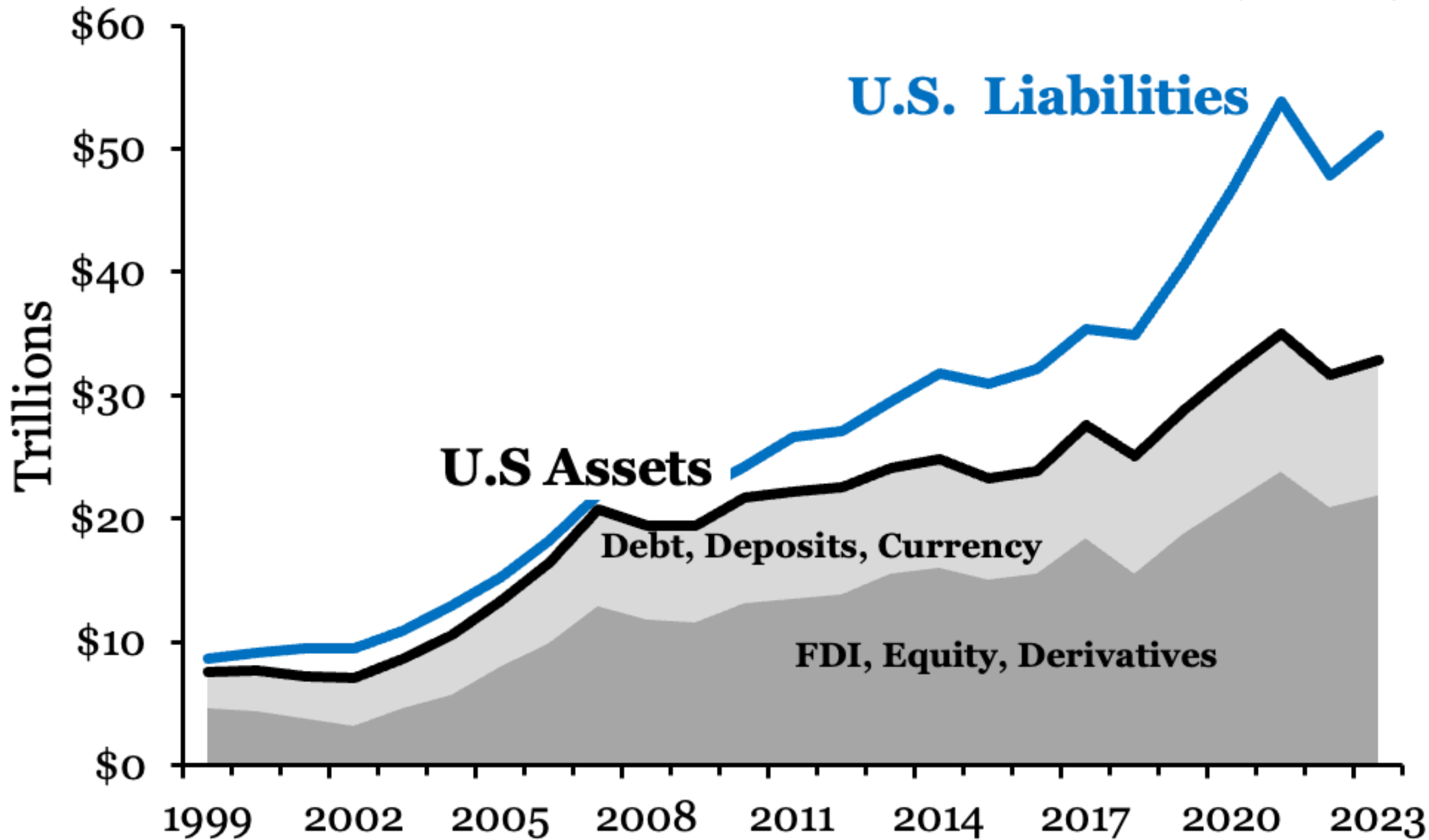
Net International Investment Position (NIIP)



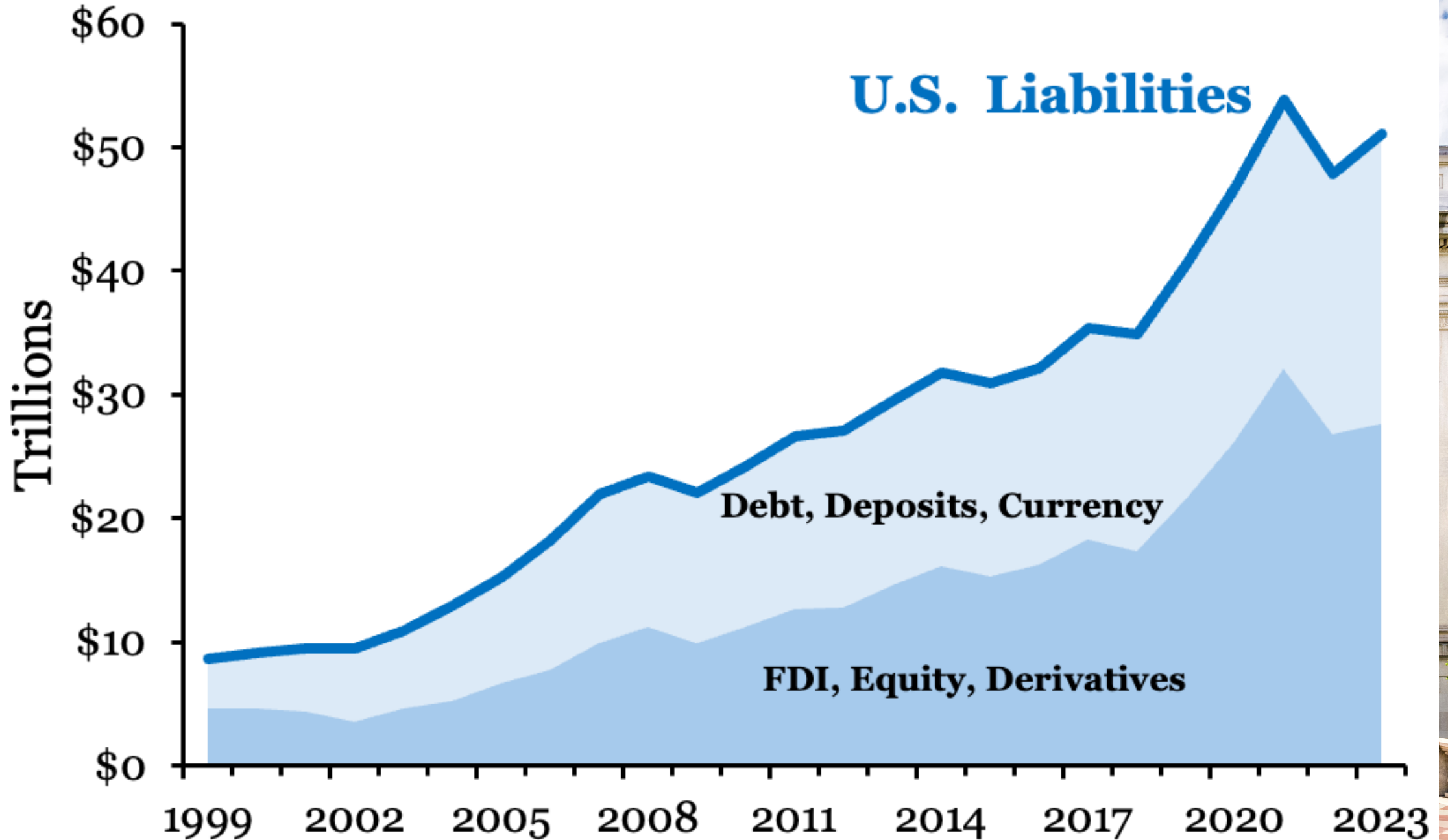
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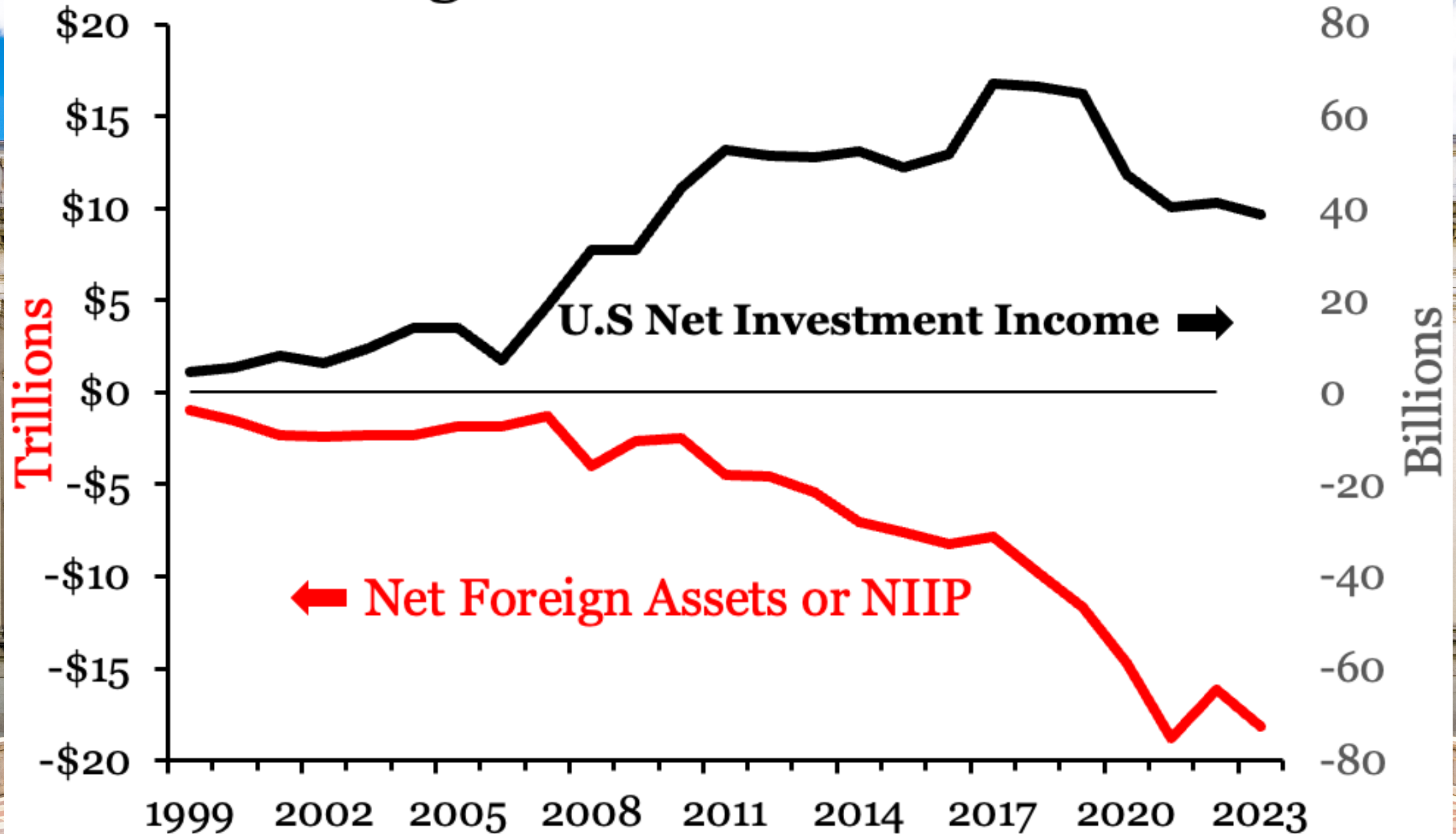




U.S. as Banker to the World

- U.S. balance sheet looks like a bank
- World wants safe, money-like assets
- U.S. is world's biggest and best supplier

USA: King of Debt and a Positive Return



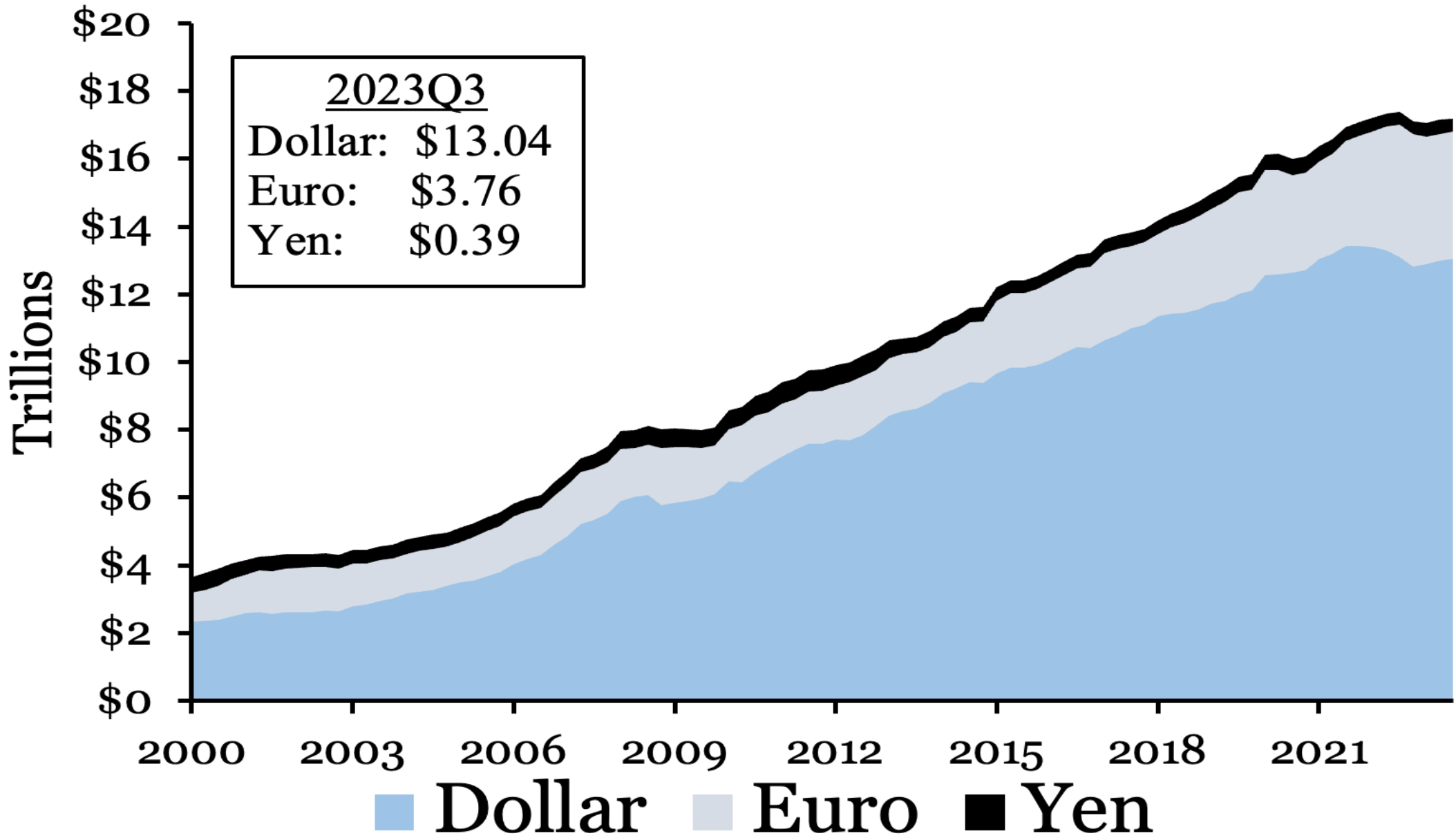


THE TREASURY DEPARTMENT

But There is More...

- Rest of the world is also issuing dollar liabilities

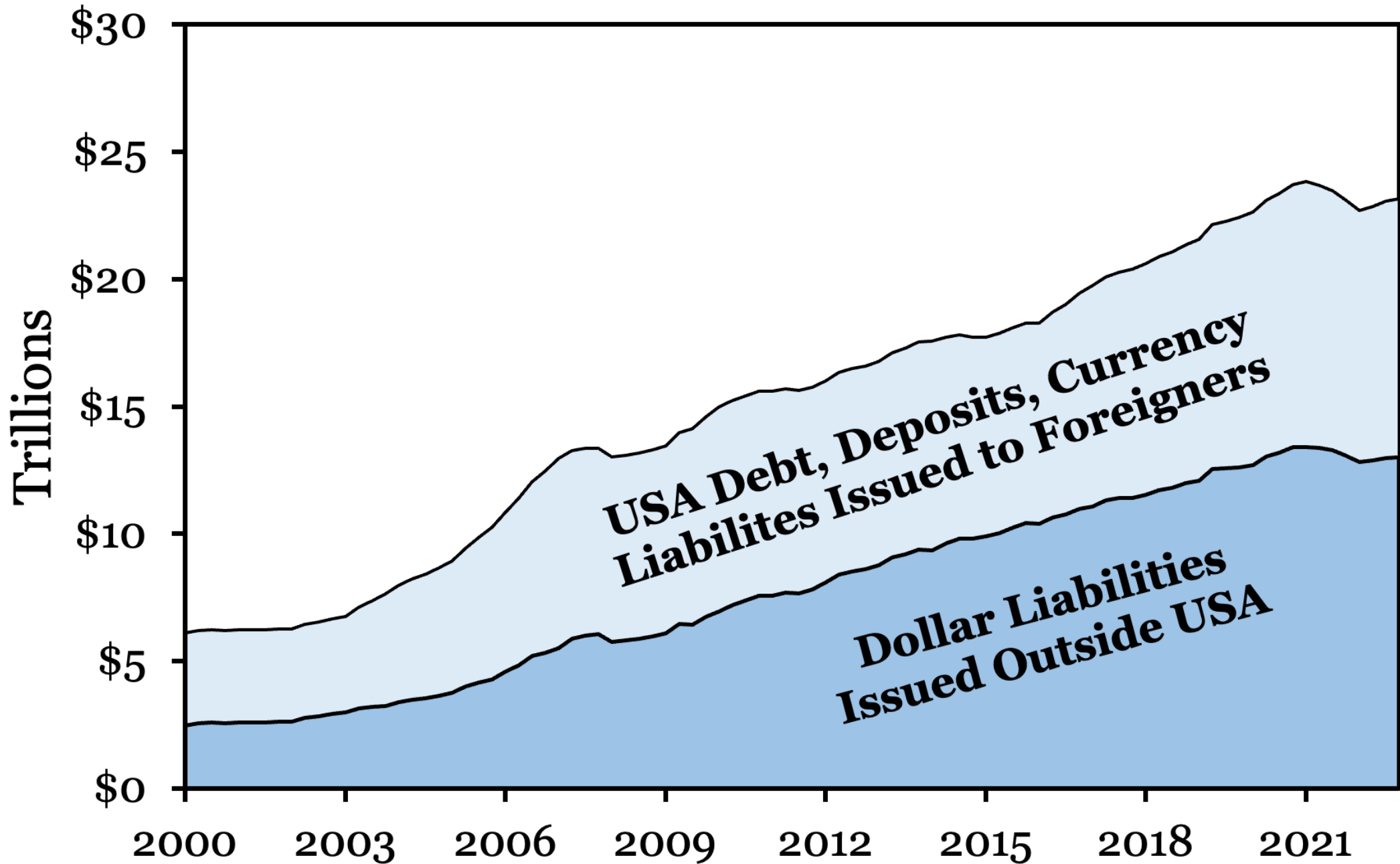
Credit by Currency Outside Currency Area





Let's add up all safe dollar assets held by foreigners...

Total Foreign-Held Dollar Liabilities





The How of Financial Dominance

1. US as a Banker to the World
2. Dollar Creation Outside the United States
3. Federal Reserve Support in 2008, 2020


Standing Dollar Swap Lines

- Bank of Canada
- Bank of England
- Bank of Japan
- European Central Bank
- Swiss National Bank

Temporary Dollar Swap Lines

- Australia, Brazil, Denmark, Korea, Mexico, Norway, New Zealand, Singapore, Sweden





How to Explain this Outcome?

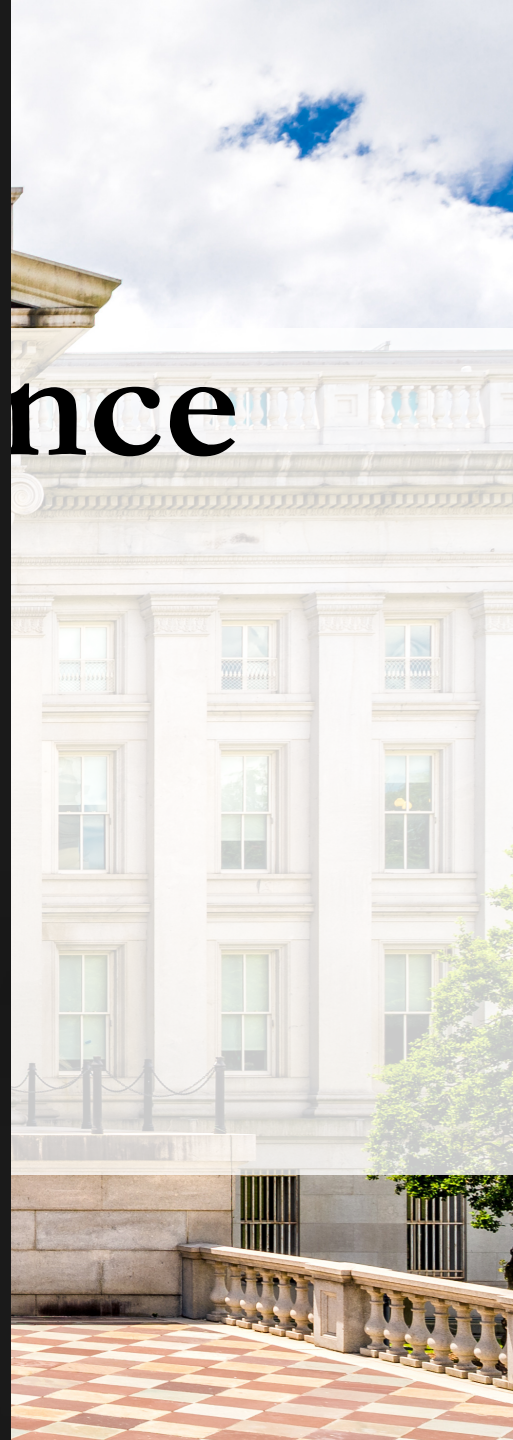
1. The How of U.S. Financial Dominance
2. The Why of U.S. Financial Dominance
3. The Threats to U.S. Financial Dominance

Threats

1. Europe
2. China
3. Crypt
4. Ourse



nce



DANIEL McDOWELL

BUCKING THE BUCK

US Financial Sanctions
& the International Backlash
against the Dollar

"A true feat of revelatory journalism... If you only read one book to understand American economic and political power in the world today, it should be this one."

—Christopher Leonard



Paper Soldiers

How the Weaponization of the Dollar
Changed the World Order

Saleha Mohsin

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